

Message Text

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ORIGIN ARA-14

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LONDON PASS ARA DEPUTY ASST SEC JOHN BUSHNELL

E.O. 11652:N/A

TAGS: EFIN PE

SUBJECT: POSSIBLE SHORT-TERM ASSISTANCE FROM BANKS FOR PERU

1. INTERNATIONAL STEERING COMMITTEE OF BANK SYNDICATE MET
IN NEW YORK MAY 16 TO DISCUSS SITUATION IN PERU AND SHORT-
TERM GOP REQUIREMENTS TO AVOID DEFAULT. SYNDICATE DID NOT
COME TO FINAL DECISION BUT ACCORDING TO STATE AND TREASURY
BANK SOURCES, BANKS LEANING TOWARD GRANT OF AN EXTENSION OF
UPCOMING MATURITIES OF MORE THAN ONE YEAR (PRINCIPAL AND
POSSIBLY INTEREST) UNTIL END OF SEPTEMBER. FURTHER SHORT-
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TERM EXTENSION THEREAFTER MAY BE POSSIBLE. SYNDICATE WOULD
REFRAIN FROM PROVIDING BALANCE-OF-PAYMENTS SUPPORT LOAN UN-
TIL PERU HAD RENEGOTIATED STANDBY AGREEMENT WITH FUND AND
QUALIFIED FOR FURTHER DRAWDOWN THEREUNDER.

2. SYNDICATE HAD BEEN APPROACHED BY THEN CENTRAL BANK PRES-
IDENT DE LA MELENA MAY 12 FOLLOWING DISCUSSIONS THE PREVIOUS

WEEK IN WASHINGTON WITH FUND. DE LA MELENA SOUGHT BRIDGE LOAN OF \$80 MILLION TO SEE PERU THROUGH JULY. HOWEVER, PERUVIAN FOREIGN EXCHANGE RESERVES HAVE SINCE BEEN BEEFED UP BY DEPOSIT IN PERU BY OCCIDENTAL PETROLEUM OF \$25 MILLION (AS PREVIOUSLY REPORTED); A SIMILAR DEPOSIT (AGAINST LATER DRAWDOWN IN SOLES) BY CAF AMOUNTING TO \$14 MILLION; AND A SWAP FROM VENEZUELA OF AN UNDISCLOSED AMOUNT. THESE

INFUSIONS SHOULD ENABLE PERU TO MEET OUTSTANDING OBLIGATIONS UNTIL AUGUST.

3. MAY 16 STEERING COMMITTEE CONSIDERED THE \$80 MILLION BRIDGE LOAN AND ALTERNATIVELY, A "STANDSTILL" - WHEREBY BANKS WOULD ALLOW PERU NOT TO MEET ITS OBLIGATIONS DURING SHORT PERIOD OF TIME BUT WOULD NOT DECLARE PERU IN DEFAULT. INCLINATION TOWARD EXTENSION OF MATURITIES UNTIL END OF SEPTEMBER PROMPTED BY SIGNIFICANT DOLLAR DEPOSITS MADE IN PERU, COUPLED WITH CONTINUED UNCERTAINTY ABOUT FUTURE DIRECTIONS OF PERU ECONOMY.

4. SYNDICATE REPORTEDLY PLEASED BY CHANGES IN GOVERNMENT AND EMERGENCE OF NEW TEAM OF FINANCIAL MANAGERS. BELIEVE LATTER INSISTED ON IMMEDIATE INSTITUTION OF COMPLETE PACKAGE OF ECONOMIC STABILIZATION MEASURES. ALSO ENCOURAGED BY RECOGNITION ON PART OF NEW TEAM THAT BETTER STATISTICS NEED TO BE PROVIDED IF REALISTIC BANK ASSISTANCE IS TO BE LIMITED OFFICIAL USE

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EXTENDED PERU. NEW CENTRAL BANK PRESIDENT MOYREYRA EXPECTED IN NEW YORK NEXT WEEK TO CONTINUE DISCUSSIONS.

5. IMF REPORTEDLY HAS ADOPTED CAUTIOUS LINE IN INTERPRETATION OF SITUATION IN PERU TO BANKS. FUND ACKNOWLEDGES THAT GOP HAS TAKEN A NUMBER OF VERY IMPORTANT STEPS BUT IT WILL TAKE SOME TIME TO ASSESS IMPACT. EARLIER, FUND HAD INDICATED TO BANKS THAT IN CONTEXT OF ECONOMIC STABILIZATION MEASURES TAKEN, BRIDGE LOAN BY BANKS TO PERU (OR OTHER ASSISTANCE) WOULD BE "USEFUL" IN SUPPORTING MOVES TOWARD EQUILIBRIUM.

6. INFORMATION ABOVE PROVIDED ON CONFIDENTIAL BASIS AND SHOULD NOT BE DISCLOSED TO GOP. VANCE

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